

Apel o modułowe ujmowanie etyki biznesu. Podstawy etycznego uzasadniania decyzji ekonomicznych

Autor: Marcell Schweitzer

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Plea for a Modular Design of Business Ethics – Basics of the Ethical Substantiation of Economic Decisions

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Marcell Schweitzer

Eberhard-Karls Universität Tübingen

e-mail: marcell.schweitzer@uni-tuebingen.de

Plea for a Modular Design of Business Ethics – Basics of The Ethical Substantiation of Economic Decisions*

1. Introduction

Although concern with ethical questions in business administration has increased in recent years, the actors involved are not agreed as to the scientific status to be assigned to the ethical problems of economic decisions. There are two main views to be found, each held by a particular group. The first group¹ is of the opinion that in business administration the concern with questions of business ethics is superfluous, since business administration is already based on ethical principles². The historically developed image of ‘the virtuous merchant’, it is argued, has already for centuries embodied the most important ethical values (virtues) of economic decision, and decision-makers have acquired and lived the values of this ideal, together with their specialized knowledge, for generations. In contrast, a second group endeavours to develop the fundamentals of an academic discipline of business ethics, and to see this as the ethical substantiation of business administration or of economic decisions. This second group also includes most of the Anglo-American approaches to ‘Corporate Social Responsibility (CSR)’ or ‘Business Ethics (BE)’³ and the German and international approaches of ‘Corporate

* This article is the extended and updated English version of the German article published 2011 in Vienna/Austria. A reduced version has been published 2012 with Giuseppe Galassi in Roma/Italy.

¹ D. Schneider, *Unternehmensethik und Gewinnprinzip in der Betriebswirtschaftslehre*, „Zeitschrift für betriebswirtschaftliche Forschung“ 1990, p. 869; H. Hax, *Unternehmensethik, Ordnungselement der Marktwirtschaft?*, „Zeitschrift für betriebswirtschaftliche Forschung“ 1993, p. 769; H. Albach, *Betriebswirtschaftslehre ohne Unternehmensethik*, „Zeitschrift für Betriebswirtschaft“ 2005, p. 809; D. Klink, *Der ehrbare Kaufmann – Das ursprüngliche Leitbild der Betriebswirtschaftslehre und individuelle Grundlage für die CSR-Forschung* 2008, „Zeitschrift für Betriebswirtschaft/Journal of Business Economics“, Special Issue 3/2008, p. 57.

² H. Albach, *op. cit.*, p. 809.

³ *Business Ethics as Practice. Representation, Reflexivity and Performance*, eds. C. Carter et al., Edward Elgar, Cheltenham/UK, Northampton/Mass 2007; A. Crane, D. Matten, *Business*

Governance⁴, which strive for the formulation of nationally and internationally recognized standards of good and responsible management. The publications of the second group treat descriptive, normative and analytical conceptions of business ethics, with varying points of emphasis⁵.

2. Fundamentals of the ethical substantiation of economic decisions

We analyse the ethical substantiation of decision oriented business administration by placing economic decisions and actions at the centre of the study. In section 2.1 we first define some basic concepts of ethics. In section 2.2 we then analyse the conditions of morally right economic decisions. Next, in section 2.3, we introduce into the analysis a system of modules (research conceptions) as the epistemological frame of reference of the ethical substantiation of economic decisions.

2.1 Definitions of basic concepts of ethics

The terms ‘morals’ and ‘ethics’ are frequently used synonymously in everyday speech, in the specialized language of business administration, but sometimes also in the specialized language of philosophy. We will avoid this synonymic usage for reasons of precision, and distinguish between morality and ethics.

We define the concept of *morals* as a historically developed system of rules, norms and values set up in common by a group of persons, and accepted as binding *per se*. Following its establishment, the moral system is to be understood as group morals that, first of all, are valid only for the accepting group. It has the character of a code of behaviour and appeals to the members of the group, to orient their decisions and actions to this system of rules, and to judge their own decisions and those of others by it⁶. The canon of values and rules of this system changes in the course of time as to its content, with the historically changing understanding of liberty and the conditions of life of the group.

Ethics. An European Perspective. Managing Corporate Citizenship and Sustainability in the Age of Globalization, Oxford, New York 2004; M.G. Valesquez, *Business Ethics: Concepts and Cases*, 5th ed., Englewood Cliffs, NJ 2001.

⁴ A. v. Werder, *Corporate Governance (Unternehmensführung)*, [in:] *Handwörterbuch Unternehmensführung und Organisation*, 4th ed., Stuttgart 2004, p. 160.

⁵ H.-U. Küpper, *Unternehmensethik, Hintergründe, Konzepte, Anwendungsbereiche*, Schäffer-Poeschel Verlag, Stuttgart 2006, p. 95; A.G. Scherer, A. Butz, *Unternehmensethik und CSR in betriebswirtschaftlichen Teildisziplinen – Eine Einführung*, „Die Unternehmung“ 2010, vol. 64, nr 4, p. 370.

⁶ A. Pieper, *Einführung in die Ethik*, 6th ed., Tübingen, Basel 2007, p. 32.

By *morality* we define the ‘will to be good’ as a fundamental attitude which is elevated to the status of a principle of decision-making and practice⁷.

We define the concept of *value* as the guiding point of morality.

Finally we define *norms* as general prescriptions (value-judgments, imperatives, instructions and affirmations of duties) for human behaviour. Norms embody instructions for the implementation of ethical values, and are neither logically provable nor empirically verifiable.

We define the concept of *ethics* as a system of statements speaking about moral decisions and actions. Ethics itself is not morality, but makes statements about morality and the reciprocal relations between morals and morality. In contrast to morals, ethics passes no moral judgments on individual decisions and actions, but analyses particularities of moral actions and decisions on a superior, more abstract meta-level of language⁸. Pieper differentiates several levels in the meta-ethics (epistemology of ethics). Moral decisions and actions are thus *subjects* of ethics. As a philosophical discipline, ethics is the *science* of moral decision and action. Ethics formally examines under what conditions human decisions and actions – regardless of their content – can be understood as morally right. ‘Ethics does not state what the Good in concrete cases is, but how we come to judge something as good⁹.’ Insofar as an analysis shows under what and how many conditions decisions and actions are morally right, we regard them as ethically substantiated. Where the number of these fulfilled conditions is large, the ethical substantiation of the decisions and actions is equally large, and *vice versa*. It follows from this that decisions and actions, depending on the conditions adduced, may be variously strongly ethically substantiated. This state of affairs leads to the distinction between decisions and actions that are ethically *strongly substantiated* (ethically perfect) and *ethically weakly substantiated* (ethically defect). The intensity of the weakness in individual cases does not, however, depend solely on the number of conditions, but also on the significance (importance) attached to the individual conditions.

By analogy to the concept of ethics, we define the concept of *business ethics* as a system of statements speaking about moral decisions and actions in the firm. Business ethics itself is not morality in the firm, but makes statements *about* morality and the reciprocal relations between morals and morality. In contrast to morals in the firm, business ethics passes no moral judgments on individual decisions and actions, but analyses particularities of moral actions and decisions in the firm on a superior, more abstract meta-level of language. Moral decisions and actions in the firm are thus *subjects* of business ethics.

⁷ Ibidem, p. 44.

⁸ Ibidem, p. 86.

⁹ Ibidem, p. 24.

2.2 Conditions of morally right economic decisions

On the meta-level, the analysis of the conditions helps us to state more precisely, from a suitable distance from the subject, criteria that permit a *critical assessment* of the ethical substantiation. For the sake of linguistic simplification, we include general actions in the decisions, and speak in the following only of *economic decisions*. As the method of analysis, we select the *critical-rational method*, which demands a clear formulation of the problem and a critical examination (analysis) of the proposed options of solution¹⁰. Among the conditions that we include in the analysis are: confidence, responsibility, ethical substantiation of moral actions, feasibility of values, consequences of values and affirmation of duties.

Confidence is a fundamental condition under which an economic decision is morally right¹¹. Particularly in economies in which utility thinking predominates, confidence is the basis of mutual community, continuity and stability. Confidence in economic activity means believing in the benevolence, the truthfulness, the fairness and reliability of the decision-makers involved. However, economic activity itself may also create confidence¹². In *financial reporting*, for instance, confidence involves readiness to believe in veracious, fair and reliable reporting on business processes, i.e. true information concerning the economic situation and the prediction of the economic situation of the firm to be expected¹³. It is important that confidence is protected by *bona fide*, and that infringements of the rules are sanctioned. There is a great need for confidence in the economy, because it ensures truthfulness, fairness and reliability in business transactions.

Together with confidence, *responsibility* is a further fundamental condition for the moral rightness of an economic decision¹⁴. In English-speaking countries, responsibility, in the phrase ‘Corporate Social Responsibility’ is indeed the term for business ethics. Responsibility is most closely linked to human decisions and their consequences. Economic decisions give rise to effects that affect both people and things. The consequences of these decisions are largely in the future, and may be either intended or not intended, certain or uncertain. Decision-makers must therefore have not only the freedom (the right to self-determination), the qualification (ability) and the competence to make decisions, but must also accept the duty to account for positive and negative consequences of their own or others’ decisions, that is, to accept responsibility¹⁵. The importance

¹⁰ K.R. Popper, *Logik der Forschung*, 7th ed., Tübingen 1982, p. XV.

¹¹ P. Koslowski, *Wirtschafts- und Unternehmensethik*, [in:] *Allgemeine Betriebswirtschaftslehre. Bd. 1: Grundfragen*, 10th ed., eds. F.X. Bea, M. Schweitzer, UTB, Stuttgart 2009, p. 453.

¹² *Ibidem*, p. 454.

¹³ M. Schweitzer, *Wirtschaftsunruhe und Rechnungsrisiken*, [in:] *Rechnungslegung und Unternehmensführung in turbulenten Zeiten. Festschrift für Gerhard Seicht*, eds. H. Haeseler, F. Hörmann, LexisNexis, Wien 2009, p. 143.

¹⁴ A. Pieper, *op. cit.*, p. 41.

¹⁵ H. Küng, *Weltethos für Weltpolitik und Weltwirtschaft*, 2nd ed., München und Zürich 1997, p. 319.

of responsibility is particularly large, since responsibility in business transactions ensures the allocation of guilt and errors, answering for mistakes, and the reliable performance of contracts. Commercial activity without confidence and responsibility can cast firms back into an anarchic condition.

To an analysis of the conditions of a morally right decision, there also belongs the *ethical substantiation* from the standpoint of morality. For this substantiation, ethics has developed various methods, which include the logical, discursive, dialectic, analogical, transcendental, analytical and hermeneutical methods. We will briefly explain the problem of substantiation by the example of the *transcendental method*: in ethics, substantiation means the reductive tracing of moral decisions back from the perspective of morality to their constitutive conditions (as far as their absolute origin). The best-known representative of the transcendental method is Immanuel Kant (1724-1804)¹⁶. Kant is not concerned with empirically explaining why one should or not should do something, but with a general ethical substantiation of why people should act morally at all. Proceeding reductively, he reconstructs as the origin of morality the *principle of freedom*, which, to him, is the condition that all decisions must satisfy that make a claim to morality¹⁷. The freedom principle, according to Kant, is expressed in the prime rule of moral law, namely the *categorical imperative* (*kategorischer Imperativ*). Since the moral law is valid without empirical reservation, it is categorical (unreservedly valid)¹⁸. Representatives of the other methods of ethical substantiation as well have recourse to the freedom and arrive, depending on cultural background, individual experience of life, or specialist orientation, at partly fundamentally different processes of substantiation, and differing final reasons of morality.

Among the conditions we include in the analysis is also the *feasibility of values*. Testing the feasibility of values shows whether individual values are attainable under certain aspects. The *structural aspect* of feasibility covers the analysis of the relations between individual values with regard to their compatibility. This can be explained using the example of goals (as values). Goals may prove to be compatible or incompatible. Compatible goals may be neutral or complementary in relation to one another, and in borderline cases identical. Incompatible goals are competing (conflicting), and in extreme cases antinomian (excluding each other). Under the *economic-technical aspect* of feasibility, the aim is to establish whether the intended specificity of the goal (the degree of its achievement, the level expected), has been, given certain conditions of the stakeholder, the markets, capacities etc., selected realistically. Conflicting relations between goals or values and their solution are of great importance for the ethical analysis. Procedures of conflict solution are examined in detail in *decision theory*. Among these procedures are *dominance* (where, from several goals, a main goal is selected and the rest, as not being of importance,

¹⁶ I. Kant, *Werke in zehn Bänden*, vol. 6, ed. W. Weischedel, Darmstadt 1960, p. 140.

¹⁷ A. Pieper, *op. cit.*, p. 228.

¹⁸ O. Höffe, *Immanuel Kant*, [in:] *Klassiker der Philosophie*, ed. O. Höffe, vol. 2, München 1995, p. 24.

are eliminated or classified as side goals,); *schism* (where the decision field is broken down into partial fields, each partial field being assigned an individual partial goal), *transformation* (where, for the conflicting goals, a superior goal is sought in which the individual goals are weighted), *compromise* (where individual goals or all of them are weighted and their aspiration level lowered); and *goal sequence* (where, according to urgency, individual goals are pursued over time in a favourable (variable) sequence). In business ethics, too, procedures of conflict solution are discussed, most of which have recourse to principles of the ethics of discourse¹⁹.

We also include the different *effects of values* in the analysis. It is to be empirically observed that on the one hand, economic decisions influence values, while on the other, values also have effect on economic decisions and their results. Of particular interest in business administration and business ethics are the effects of values on economic decisions and their results, including the connected responsibility. In stressing this line of investigation, there results an orientation of the ethical analysis to the conception of the *ethics of responsibility*, in which decisions are judged according to their effects. In this matter, the ethics of responsibility and business administration decision theory are largely identical, since in decision theory the preference of a decision alternative is also judged (evaluated) according to its effects. Furthermore, by the orientation to the ethics of responsibility, two important methodological questions are revealed which have a theoretical and a pragmatic character. *Theoretically*, the question is posed whether relations of cause and effect (end) can be formulated for the relation between values, decisions and effects. *Pragmatically*, the question is posed whether the general hypotheses can be transformed into means-and-goal-relations, so that the causes can be interpreted as decision variables (means) and the effects (ends) as goals. This transformation is of particular importance for the pragmatic substantiation of economic decisions.

Among the conditions that we include in the analysis are also *duties*. In economic activity, a system of decisions based on rationality, competition, rivalry, the search for advantages, protection of existence, striving for power and profit seeking, and from which greed, ruinous behaviour and cross-border crime are not absent, it is not enough, for the analysis of the feasibility of ethically substantiated economic decisions, to deliberate on praise of the good man; rather, it is necessary to examine acute instruments (standards, measures and rules) that go beyond voluntary acceptance and in cases of doubt also permit supervision. Such supervisory tasks may be carried out by the public, by institutions close to the world of business, by state institutions, or by supervision contractors²⁰. From a scientific perspective, one should in this context think of duties for which

¹⁹ G. Zäpfel, *Managemententscheidungen bei schlecht strukturierten Handlungssituationen im Spannungsfeld zwischen ökonomischer Rationalität und moralischer Verantwortung – Möglichkeiten und Grenzen*, [in:] Betriebswirtschaftslehre und Unternehmensethik, eds. B. Feldbauer-Durstmüller, H. Pernsteiner, Wien 2009, p. 353.

²⁰ E. Göbel, *Unternehmensethik, Grundlagen und praktische Umsetzung*, 2nd ed., Stuttgart 2010, p. 311.

there are several *levels of prevalence*. From among these levels, the one is to be selected which is, under and in conformity with the given conditions of the economic system, most calculated to guarantee the implementation of ethically substantiated decision-making.

2.3 Designing a system of modules as an epistemological frame of reference for the ethical substantiation of economic decisions

For the integrated analysis of the ethical substantiation of economic decisions, we require an *epistemological frame of reference*. This should organize the formal analysis, classify the statements involved, cover the relations between individual statements, align the results of the analysis to a superior goal, and render possible the constituting of business ethics as a scientific discipline. With these functions, it should be an order and integration frame which determines the structure and function of the discipline of business ethics. As a frame of reference that satisfies these requirements, we select the *system of research conceptions* of business administration, which is capable of performing a systematizing function (defining, for different aims of science, the tasks of research and the degrees of the division of labour between theory and practice), and accomplishing the integration of scientific statements (it arranges in stages building on one another relevant statements to form a self-contained system of statements of business ethics). In this way, the system of research conceptions fulfils the tasks of *modules*, under which appellation we include them in the net of concepts and the methods of business ethics. They show our intention to give the system of statements of business ethics an epistemological substantiation, and at the same time to give it a modular design. In this sense, we see the modular design of the system of statements as an approach to the safeguarding of the scientific character of the practice-related discipline of business ethics. For the delimitation of the modules, we draw as a *frame of reference* on the system of research conceptions according to Chmielewicz and Schweitzer²¹.

²¹ K. Chmielewicz, *Forschungskonzeptionen der Wirtschaftswissenschaft*, 3rd ed., Stuttgart 1994, p. 8. Cf. M. Schweitzer, *Plädoyer für eine modulare Strukturierung der Disziplin Unternehmensethik*, „Jahrbuch für Controlling und Rechnungswesen“ 2011, ed. G. Seicht, p. 424.

On other dimensions of the study of Business Ethics see: H.-U. Küpper, Ph. Schreck, *Unternehmensethik in Praxis, Forschung und Lehre – Status quo und Perspektiven im deutschsprachigen Raum*, “Schmalenbachs Zeitschrift für betriebswirtschaftliche Forschung” 2008, Special Edition 58/08, p. 85; A. Sophe, *Ethical Theory of the Firm*, [in:] *Ethics in the Economy, Handbook of Business Ethics*, ed. L. Zsolnai, Bern 2002, p. 89).

Figure 1. Modules (frame of reference) of the ethical substantiation of economic decisions

	1	2	3	4	5
1	DESCRIPTIVE MODULE (representation conception) (with a descriptive aim of science)	Designing conceptions of and by business practice			
2	THEORETICAL MODULE (explanation and prediction conception) (with a theoretical aim of science)				
3	PRAGMATICAL MODULE (designing conception) (with a pragmatic aim of science)				
4	NORMATIVE MODULE (value-judgment conception) (with a normative aim of science)				
5	individual (singular) statements	general (universal) statements			special (singular) statements (descriptive or normative)
	concepts definitions	theoretical statements (cause/effect)	technological/pragmatic statements (means/goal)	normative statements (value-judgments)	
6	not capable of truth	capable of truth (real-true or real-false)		not capable of truth	–
7	without content	empirical information content (generality and particularity)		normative instruction content	–

Fig. 1 contains four modules in row 1-4, which are explained in row 5-7 composed of columns. The four modules build on each other, and lay down the 'rules of the game' in accordance with which a science functions. They give help in exposing logical contradictions of a system of statements, are the basis of a precise professional terminology, point the way to differentiated systems of statements, sharpen the understanding of differing aims of science, and support the search for hidden ideologies in scientific statements²². It remains for the scientists themselves to determine their science-based position by means of the choice of module and aim of science. Business administration, however, orients itself, as an applied empirical science, mainly to the pragmatic module

²² K. Chmielewicz, *op. cit.*, p. 6.

with a pragmatic aim of science, and therefore systematically includes relevant statements of the descriptive, theoretical und pragmatic modules.

3. Modules of the ethical substantiation of economic decisions

3.1 Descriptive module: ethical substantiation of economic decisions by means of a system of descriptive statements

3.1.1 Basics of the scientific description of ethical values

The simplest and oldest approach to the analysis of problems of business ethics lies in the *description of ethical values*. In ethics, the distinction is made between descriptive and normative ethics, according to which descriptive ethics, with its various approaches (phenomenological, based on linguistic analysis, evolutionary), pursues a *descriptive aim of science*. The subject of these approaches is the question ‘how human practice as an empirical, historical process can be described, analysed and interpreted in such a way that light is thrown on the significance of the moralisation from the context of action’²³. In detail, the recognized moral code of a community, the ethical values, their claim to universal validity, and assessments on the moral code of the community are described, so as to state (identify) what values and claims to validity determine in practice the behaviour and action patterns.

From a business administration perspective, the description of values serves linguistic coordination between researchers and users and gives indications as to what empirical states of affairs relate to subsequent statements (e.g. theoretical statements). As well as linguistic coordination (comprehension and precision), the description serves to record *the values actually lived in the real firm*. With the recording of these data, the empirical basis is laid for the later modules. Within the frame of the description conception (descriptive module), it is not required that given values are to be followed in practice, but only noted what values are actually respected.

Following the *precision of the description*, it is possible to distinguish between classificatory, comparative and quantitative descriptions (description models). The description of values requires precise concepts, an arrangement or systematization, and syntactic rules, in order to arrive at a description context. Such a systematization takes place by classification or typification. In defining the concept of value, it is necessary to pay attention to an appropriate scope of the concept and an appropriate degree of precision. Where the scope of the concept selected is too narrow, the generality of the statements in which the concept of value is used in later modules is too small. If, on the other hand, the scope of the concept selected is too large, the statement that uses the concept value fails in relation to reality and is falsified.

²³ A. Pieper, *op. cit.*, p. 242.

Values must also be defined as precisely as possible. Defining values precisely means naming as exactly as possible their content and aspiration level. When describing values, a *structuring of values* is also aimed at, in which the values in question are arranged (ordered) hierarchically. The result is a number of different value hierarchies: a teleological value hierarchy (arrangement of the values according to their means-and-goal relations), a value hierarchy according to the logic of definition (arrangement of the values according to the design of the net of concepts used), a priority hierarchy (arrangement of the values according to the urgency of their attainment), or a decision-related goal hierarchy (arrangement of the values according to their significance for cases of decision as main goals [goal functions] or side goals [constraints]).

3.1.2 The ideal of the virtuous merchant as a system of descriptive statements

At the beginning of the ethical substantiation of economic decisions, we place a description of ethical values in the form of a descriptive module. In the introduction, it was already mentioned that one group of scientists sees a useful approach to the description of ethical values in the historically developed ideal of 'the virtuous merchant'. This approach being recommended as an ethical substantiation of economic decisions, we have recourse to it exemplarily and formally analyze the extent to which it is suitable for the ethical substantiation of economic decisions.

According to the representatives of the first group, a decision-maker behaves morally right if, in his decisions, he orients himself to the socially accepted values of an idealized person, a so-called ideal. Here the decision-maker assumes the task of explaining and embodying this ideal to his employees. He conveys to them the values of the ideal as a desirable and proven way of a common feeling, thinking and acting within and outside of the firm. This ethical ideal has grown up over a long period of time, has adopted relevant values from the cultural conditions and experience of a number of ages, and finally embodies a guideline for morally right decisions. The view of this ideal is based on the assumptions that the *canon of ethical values* has changed little in the course of time, and that the decision-makers (world-wide) are ready to accept this canon of values and to pursue it consistently in their decisions, and to see and defend it lastingly as the foundation of their professional honour.

The quality of *respectability* is eponymous and important for the understanding of the ideal of the virtuous merchant²⁴. For several centuries, the ideal of the virtuous merchant has fulfilled the task of training young merchants to be virtuous people who make more or less morally right decisions. Current requirements of the virtuous merchant are that he should have a settled character marked by the values (virtues) of probity, honesty, moderation, orderliness, frugality, fairness, chastity and humility. The canon of these values

²⁴ D. Klink, *op. cit.*, p. 70.

is partly descriptive and partly prescriptive. It remains open, however, at what level these values should be marked, and with what ranking they match the ideal.

The model of the virtuous merchant evidently depends on the basic moral attitude determined by the goodwill and the character of the decision-maker, and from which his decisions proceed. The ideal of the virtuous merchant is thus to be described as the person-related conception of an *ethics of conviction*²⁵. Since, however, business administration is concerned centrally with complex decisions and with scarce goods under constraints, the *decisions* are the natural connecting factor for a modern conception of business ethics. Essential for decisions are, together with the basic moral attitude of the decision-maker, his ability and willingness to assume responsibility for the effects of his decisions. Under these conditions, the decision-related conception of ethics must be formulated according to its tasks and goals as an *ethics of responsibility*. However, the ethical requirements of future complex global decision processes, and the responsibility connected with them, do not correspond to the simple ideal of the virtuous merchant, because it has recourse uncritically to partly religious, partly secular virtues of mediaeval designs of thought and society. These designs need to be updated; they may alter the ethos of the decision-maker, but cannot do justice for the criterion of responsibility.

3.1.3 The significance of the ideal of the virtuous merchant for the ethical substantiation of economic decisions

As we have mentioned before, a simple and old access to the analysis of ethical problems of economic decisions is the ideal of the virtuous merchant. We appreciate the significance of this ideal for the ethical substantiation of economic decisions by critically judging to what extent the values covered in this descriptive module satisfy the conditions formulated in section 2.2 for morally right decisions. The critical assessment should clarify the contribution of the descriptive module to the ethical substantiation of economic decisions, particularly for the reason that some representatives of business administration already consider the ideal of the virtuous merchant the (sole) suitable ethical substantiation of economic decisions²⁶:

- The values (virtues) of the virtuous merchant covered by the descriptive module are indeed able to create trust in firms, on condition, however, that these are also lived;
- On the basis of ethics of conviction, the responsibility for the effects of economic decisions can hardly or not at all be fulfilled;

²⁵ M. Weber, *Soziologie, Universalgeschichtliche Analysen, Politik*, 6th ed., Stuttgart 1992, p. 167; H. Kreikebaum, *Grundlagen der Unternehmensethik*, Stuttgart 1996, p. 282; H.-U. Küpper, *Unternehmensethik...*, p. 842.

²⁶ M. Schweitzer, *Plädoyer für...*, p. 429; M. Schweitzer, G. Galassi, *German and Italian Contributions to Business Ethics*, „Contabilità e Cultura Aziendale”, ed. G. Catturi, vol. XII, nr 1, p. 70.

- In the descriptive module, ethical substantiations as the reductive tracing of moral decisions from the perspective of morality to their constitutive conditions (as far as their absolute origin) are only sporadically identifiable;
- An examination of the feasibility of ethical values is not attempted;
- The values of the virtuous merchant are partly prescriptive in character, but levels of prevalence of duties for their practical application are not, however, analyzed.

Supplementary explanations:

- The account of the values of the virtuous merchant is enumerative in character and fails to provide a systematic descriptive context;
- The concepts of the values, which are classificatory throughout, do not show, in their extent or precision, any connection with the generality of the statements in the theoretical module;
- A description, be it ever so precise, and a normative postulation of the values, do not solve the theoretical, pragmatic or normative problems of the ethical substantiation of economic decisions;
- In the course of time, the historically developed ideal of the virtuous merchant has to some extent faded into an abstract ideal that has lost its power to integrate economic decisions in their social obligation, or to provide ethical guidance to thinking and behaviour of modern decision-makers;
- From a present-day perspective, it is no exaggeration to say that the ideal of the virtuous merchant must be largely revised. In a time of frequent and serious ethical offences, the management attaches great importance to values such as conflict-free activities, fair reporting, humane labour conditions, cooperative thinking and behaviour and an overall ethical attitude. So it is not surprising that the ideal of the virtuous merchant finds no mention at all in a number of recent publications on economic and business ethics;
- The claim that in business administration studies on questions of business ethics are superfluous because business administration is already founded on ethical principles is not scientifically supportable. The analysis of the descriptive module already leads to the realization that this historically developed ideal possesses only a weak (ethically defective) substantiation;
- To sum up, we can state that the description, analysis and interpretation of values, particularly those of the ideal of the virtuous merchant, are insufficient to reveal the significance of morals (moral problems) and so to substantiate economic decisions with ethical force.

3.2 Theoretical module: ethical substantiation of economic decisions by a 'theory of business ethics'

3.2.1 Fundamentals of a theory of business ethics

Epistemological analyses mostly aim to formulate a theory of the field concerned. In general, the theory of a field is a system of statements which is to fulfil a description, explanation and prediction function²⁷. Scientific statements are formulated in propositions, with the distinction between individual (singular) statements and general (universal) statements. Singular statements refer to concrete individual facts, whereas general statements give information about universally valid relations between factors (similarities, regularities, laws). Where dependencies are found in the subject of study, these may be covered by the form of a general implication (if-then proposition). Such statements are termed nomological hypotheses²⁸, if they refer to an empirical field. In the case of necessary rules, all implications contained in the basic propositions can be derived by logical of transformation or deduction.

In judging the significance of a theory, the claim of validity of its statements is of importance. If we differentiate a real and an ideal claim to validity of the statements, real theories and ideal theories can be distinguished. *Real theories* always relate to real subjects (elements of experientable reality, which are factually existent, and can be observed or measured); they possess a real claim to validity. *Ideal theories*, in contrast, relate to ideal subjects (fictitious, imaginary, thinkable or desired states of affairs, which are neither factually existent nor can be observed); they have only an ideal claim to validity, and do not lead to insights of an empirical nature²⁹. Furthermore, theories may have an unlimited or limited scope of validity. This limitation can in particular exist in their space-time dimension. In such cases, we speak of quasi-laws or quasi-invariants³⁰. Requirements made of real theory (real theory statement systems) are: precise and operationally defined concepts, simplicity of formulation, freedom from contradictions, universality, empirical content, factual refutability, high testability, and extensive scope of validity.

No self-contained theory of ethics has so far been developed. On this topic, we can find statements such as: '(...) Ethics as a theory of the Morality of decisions...'³¹, 'Ethics as a discipline of philosophy considers itself as a science

²⁷ K.R. Popper, *op. cit.*, p. 31.

²⁸ H. Albert, *Probleme der Theoriebildung. Entwicklung, Struktur und Anwendung sozialwissenschaftlicher Theorien*, [in:] *Theorie und Realität*, ed. H. Albert, Tübingen 1964, p. 24.

²⁹ E. Kosiol, *Betriebswirtschaftslehre und Unternehmensforschung. Eine Untersuchung ihrer Standorte und Beziehungen auf wissenschaftstheoretischer Grundlage*, [in:] *Bausteine der Betriebswirtschaftslehre*, vol. 1 (*Methodologie, Grundlagen und Organisation*), Duncker & Humblot, Berlin 1973, p. 13.

³⁰ H. Albert, *op. cit.*, p. 40; G. Dlugos, *Analytische Wissenschaftstheorie als Regulativ betriebswirtschaftlicher Forschung*, [in:] *Wissenschaftstheorie und Betriebswirtschaftslehre*, eds. G. Dlugos, G. Eberlein, H. Steinmann, Düsseldorf 1972, p. 34.

³¹ P. Koslowski, *Wirtschafts- und...*, p. 438.

of moral behaviour³², or ‘Ethics is (...) a theory of moral acting’³³. There is, however, agreement among ethicists that ethics is to be considered as a practice-related science, that is, a system of statements relating to a practised moral code and its effects. The term ‘ethical theory’ has traditionally been used as a collective term for the doctrine of virtue, goods, and duty³⁴.

The theory of business ethics can only satisfy current demands on economic decisions if it is conceived on the basis of the ethics of responsibility³⁵ and is able, as a real theory, to fulfil the theoretical aim of science. Only then can it be classified and understood as a system of theoretical statements. The first contributions to the theoretical aim of science are being made in the debate on ‘theoretical cognitive interest’³⁶ and in business administration in analytical business ethics³⁷. The *theory of business ethics* comprehends as a rule a system of singular and general statements. Whereas the singular statements cover conditions of application, in the general statements cause-and-end relations of business ethics are laid down³⁸; they provide a critical survey of various models of the ethical substantiation of economic decisions, and develop a conception (interpretative frame) for the linking of ethical values with economic effectiveness). In detail, the general statements are intended to explain in formal terms: (1) How and why ethical values come into being or change; (2) The influence of ethical values on economic decisions and their effects within the firm; (3) The empirical relations between goals and ethical values, and (4) What instruments of empirical research and decision theory can be applied for empirical surveys and analyses of effects of values³⁹. Where the formulation of these general statements is successful, the theory of business ethics can perform an explanatory and prediction function in the ethical substantiation of economic decisions. Then it embodies the fundamental system of statements for the following pragmatic module of the designing conception. Its hypotheses should cover as determinants the variables that are required in the statements of the pragmatic module as decision variables⁴⁰. With economic decisions as an independent subject, with the above-mentioned aims of science, and with the singular and general statements, approaches are given for the formulation of a theory

³² A. Pieper, *op. cit.*, p. 17.

³³ Ibidem, p. 60.

³⁴ P. Koslowski, *Wirtschafts- und...*, p. 443.

On further theoretical conceptions cf. P. Witt, *Unternehmensgründer als ehrbare Kaufleute*, „Zeitschrift für Betriebswirtschaft – Journal of Business Economics“, Special Issue 2007, nr 1, p. 90.

³⁵ H. Kreikebaum, *op. cit.*, p. 82.

³⁶ A. Pieper, *op. cit.*, p. 240.

³⁷ H.-U. Küpper, *Analytische Unternehmensethik als betriebswirtschaftliches Konzept zur Behandlung von Wertkonflikten in Unternehmen*, „Zeitschrift für Betriebswirtschaft“ 2005, vol. 75, nr 9, p. 833; Idem, *Unternehmensethik...*, p. 245.

³⁸ M. Statler, K. Oppegaard, *Practical Wisdom: Integrating Ethics and Effectiveness in Organizations*, [in:] *Business Ethics...*, *op. cit.*, p. 171.

³⁹ H.-U. Küpper, *Analytische Unternehmensethik...*, p. 842; Idem, *Unternehmensethik, Hintergründe...*, p. 97; M. Schweitzer, *Plädoyer für...*, p. 431-432.

⁴⁰ M. Schweitzer, *Plädoyer für...*, p. 432.

of business ethics⁴¹, for the constituting of which, however, the formulation and testing of the general statements (hypotheses) described must be further developed⁴².

3.2.2 Significance of the theory of business ethics for the ethical substantiation of economic decisions

We provide an appreciation of the significance of the theory of business ethics for the ethical substantiation of economic decisions by giving a critical assessment of the extent to which the values and hypotheses covered in the theoretical module satisfy the conditions for morally right decisions formulated in section 2.2. The critical assessment is to clarify the contribution of the theoretical module to the ethical substantiation of economic decisions⁴³:

- The values and hypotheses included in the theoretical module are able to create trust in economic and business activity;
- The responsibility for the effects of economic decisions is ascertainable on the basis of the ethics of responsibility in the hypotheses of the theoretical module;
- Ethical substantiations as the reductive tracing back of moral decisions from the perspective of morality to their constitutive conditions (as far as their absolute origin) can be carried out in the theoretical module;
- A test of the feasibility of ethical values is carried out;
- The confirmation of duties has no part in the theoretical module, being reserved for the normative module.

Supplementary explanations:

- The theory of business ethics renders it necessary to formulate general hypotheses on cause-and-end relations in business ethics, which form the nucleus of the system of statements;
- The information content of the statements of a theory of business ethics goes beyond the information content of the description of ethical values in the descriptive module. The theory provides general insights into cause-and-end relations in business ethics, with which decisions are supported in a scientific and responsible manner;
- In these hypotheses, there appear as causes the determinants of ethical values or alternative combinations of further developed (updated, more topical) ethical values, whilst as effects (ends) their influences on economic goals are formulated;
- A precondition for the formulation of the general hypotheses is a systematic analysis of ethical determinants and their economic effects;

⁴¹ Scruples have K.E. Aupperle, A.B. Carroll and J.D. Hatfield (*An Empirical Examination of the Relationship between Corporate Social Responsibility and Profitability*, "Academy of Management Journal" 1985, vol. 28, No. 2, p. 446).

⁴² H.-U. Küpper, *Unternehmensethik...*, p. 148.

⁴³ M. Schweitzer, *Plädoyer für...*, p. 432; M. Schweitzer, G. Galassi, *op. cit.*, p. 72.

- By means of empirically well established hypotheses on business ethics, in addition to explanations predictions of consequences/effects also become possible;
- As a scientific basis for the pragmatic solution of the problem of substantiation in the later pragmatic module, general hypotheses that have empirically proven themselves should be used;
- The statements of the theoretical module can be tested logically or empirically;
- A theory of business ethics should not contain recommendations or directions for the implementation of values;
- To sum up, we can say that a theory of business ethics founded systematically on an updated description module, with its generalizing functions of explanation and prediction, represents a scientifically supported basis for casting light on the significance of the moral (moral problems) in economic activities and thus provides a strong substantiation for economic decisions.

3.3 Pragmatic module: ethical substantiation of economic decisions by means of a designing conception (policy of ethics)

3.3.1 Fundamentals of a designing conception

Since business administration is an applied science, the aim of epistemological analyses is, as well as the formulation of a theory, also the formulation of a *policy*, that is, the formulation of an overall designing conception by means of a system of pragmatic statements (cf. fig. 1). We use the term ‘pragmatic’ in the sense of the science of right actions and decisions and transfer this differentiation of the systems of statements to the system of statements of business ethics, and in doing so pose the question that presents itself for the ethical substantiation of economic decisions as to the *optimal design of the canon of values*⁴⁴:

A *system of pragmatic statements* about values and their effects (policy of business ethics) includes, for different situations of decision, the following tasks:

- Establishing (currently) generally accepted values,
- Combination of recognized values in feasible alternatives of designing,
- Formulation of economic-ethical hypotheses (as a theoretical basis),
- Formulation of a goal function or a system of goals,
- Evaluation (weighting) of the feasible alternatives of designing,
- Selection (choice) of the morally right designing alternative (‘optimum’ canon of values).

In the pragmatic module the *designing conception* takes up the prediction function of the theory, transferring its hypotheses technologically, that is,

⁴⁴ M. Schweitzer, *Plädoyer für...*, p. 434.

the theoretical cause-and-end relations are formally transformed into instrumental means-and-goal relations, where the causes are interpreted as designing variables (means) and the effects as goals. The designing conception is complete when it covers an explicit goal function and a system of problem-relevant constraints. Since business administration is an applied empirical science, a goal such as occurs in practice is as a rule assumed for the goal function. Meanwhile, the goal function, which is however not seen as a practical recommendation/instruction for design, is a fictitious assumed designing goal, for which an exemplary 'optimum' solution is to be derived. This analysis can be carried out for any goal functions, without giving preference to a concrete goal and recommending or even demanding its implementation. In formal terms, the formulation of a designing conception means the modelling of a theoretically based problem of decision and planning. If, on the other hand, what is involved is the practical consulting of a firm, for a real optimization problem a concrete goal function with the concrete constraints of the firm is modelled, and both goal function and the model solution count as normative recommendations for implementation.

3.3.2 The significance of the designing conception for the ethical substantiation of economic decisions

We assess the significance of the designing conception (policy of business ethics) for the ethical substantiation of economic decisions by making a critical assessment of the extent to which the values and hypotheses covered in the pragmatic module satisfy the conditions formulated in section 2.2 for morally right decisions. The critical assessment is to clarify the contribution of the pragmatic module to the ethical substantiation of economic decisions⁴⁵:

- The values and hypotheses covered in the pragmatic module are able to create confidence in business;
- A scientifically based designing conception of the pragmatic module builds on the ethically relevant statements of the descriptive and of the theoretical modules;
- The responsibility for the effects of economic decisions can be captured in the hypotheses of the pragmatic module, on the basis of the ethics of Responsibility;
- Ethical substantiations as the reductive tracing back of moral decisions from the perspective of morality to their conditions (as far as their absolute origin) can be carried out in the pragmatic module;
- Testing of the feasibility of the ethical values is carried out;
- The affirmation of duties is not involved in the pragmatic module, being reserved for the normative module.

Supplementary explanations:

⁴⁵ M. Schweitzer, *Plädoyer für...*, p. 435; M. Schweitzer, G. Galassi, *op. cit.*, p. 73.

- The designing conception should show what combination of values, i.e. what canon of values has an ‘optimum’ effect on economic decisions and their effects in the firm;
- The goal function used in the designing conception should as far as possible use a designing goal that occurs in practice, which however is not to be seen as a recommendation for practical action, but as a fictionally assumed designing goal for which an ‘optimum’ solution is exemplarily adduced;
- The designing conception should provide assistance in the formulation of and decision on an ‘optimum’ combination of ethical values under given constraints of application;
- The statements of the pragmatic module should be thoroughly checked logically or empirically;
- In sum, we may say that a policy of business ethics that is systematically based in the descriptive and theoretical modules, with its goal-oriented support of decision *via* ethical values, represents a basis ensured in terms of description, theory, and decision theory that casts light on the importance of morals in economic activity, and thus provides a strong substantiation for economic decisions.

3.4 Normative module: ethical substantiation by a conception of value-judgment

3.4.1 Fundamentals of a value-judgment conception

A *value-assessment conception* is concerned with the substantial analysis of concrete ethical norms. In ethics, the *normative method*, in contrast to descriptive method, has a prescriptive character. By *ethical norms* we understand general practical precise instructions (value-assessments, principles, imperatives) for human behaviour. They embody the implementation instruction for ethical values, and can be tested neither logically nor empirically, but may be either accepted or rejected⁴⁶. From a scientific point of view, we see the analysis of norms as an examination of direct and practical instructions whose results, however, we do not re-commend for real use. Instead, we see this analysis as a procedure with the aid of which criteria to criticism for the moral assessment of norms are developed. These criteria are to provide the decision-maker with insights that assist him to perfect his moral awareness and to make his practical decisions in a morally responsible manner.

In the sense of the *critical method*, we distinguish between formal and material norms. We see the function of analysis as substantiating *formal* norms in order to use them as a standard for the assessment of *material* norms⁴⁷. Positively judged material norms allow us to suppose that they lead in practical

⁴⁶ M. Schweitzer, *Plädoyer für...*, p. 436.

⁴⁷ H.-U. Küpper, *Unternehmensethik, Hintergründe...*, p. 187.

terms to a higher degree of acceptance and improve the quality of economic decisions. If, in judging material norms, we also have recourse to the ‘optimizing’ insights of the pragmatic module, we define precisely the standard for measuring material norms just mentioned, and thus the statement concerning the degree of acceptance and the improvement of the quality of economic decisions.

In a market economy, both the *market regulatory frame* and the *constitution of the firm* are normative regulations that give the firm and the employees an appropriate ethical scope in their economic decisions⁴⁸. Both of these systems of regulations are characterized by openness to ethical values and norms, and are therefore the systematic domains of analyses of business ethics. In both systems, values and norms can to a large extent be freely chosen and are thus also designable. Besides the scope for ethical questions in the systems mentioned, we find further scope in the systems of statements of the modules described above. In the descriptive module, for instance, there is scope for the choice of values specific to the firm, in the theoretical module scope for the formulation and testing of ethical hypotheses, in the pragmatic module scope for the ‘optimization’ of the canon of values, and in the normative module scope for the degree of stringency in conforming to and implementing individual norms⁴⁹.

An important instrument of behaviour control in business practice is a concrete *canon of material norms*. Especially in critical economic situations or in cases of frequent offences against ethical values and norms, industrial associations, firms, or the law-maker require or tighten conformity with norms, in order to serve the interests of the economy as a whole and of society⁵⁰. In such cases, one may consider the instrument of the *code of ethics*, which gives within the frame of the regulations of the firm explicit details of recognized standards of morally right economic decisions. In firms one proceeds from the assumption that a code of ethics produces morally right decisions, and creates confidence in business relations. It is intended to increase readiness to take responsibility for the effects of decisions that have been made, to confirm long-term potentials for success, to support social coordination, and promote social welfare⁵¹. From the perspective of practical management, a code of ethics is expected to lead to rules and principles for the correct solving of conflicts, the complementation of the law by ethical self-obligation, the avoiding of conflict-producing effects of strategies selected, and the promotion of the ethical or moral power of assessment of all members of the firm.

The central challenge for the future for codes of ethics lies in the ethical substantiation of the *intercultural* or *ecumenical firm*. With increasing *globalization*, thousands of people worldwide, with differing religions, cultures, norms of behaviour, and value convictions are brought together within individual

⁴⁸ A.G. Scherer, A. Buvtz, *op. cit.*, p. 371.

⁴⁹ M. Schweitzer, *Plädoyer für...*, p. 437.

⁵⁰ In *Ethik der Banken und der Börse* P. Koslowski analyses the complementary relation between ethics and law (Mohr Siebeck, Tübingen 1997, p. 99).

⁵¹ M. Schweitzer, *Wirtschaftsunruhe und...*, p. 142; Idem, *Unternehmensethik*, [in:] *BWL-Lexikon*, eds. F.X. Bea, R. Helm, M. Schweitzer, UTB, Stuttgart 2009, p. 387.

firms in a global business community. In such a global firm, the code of ethics must help the management to oblige all the people involved to adhere to a minimum of common ethical values, a *global economic ethos*, where it is not only a case of clarifying the formal conditions of an ethical discourse or dialogue between the cultures, but of concretizing the general ethical attitude of the people concerned in terms of practical detail. In this global business community it is a matter of a new sense of responsibility: responsible management that knows to connect economic strategies with ethical values⁵².

We find topical examples of ethical norms in practical business in declarations of large firms on *Corporate Governance* (nationally and internationally recognized standards of good and responsible business management) and on *Corporate Compliance* (behaviour in conformity with the law and the rules). In corporate compliance, the norms and principles are as a rule not formulated with regard to persons, but to firms. For instance, *Bayer AG* (in Germany) lays down the following norms (duties) for the concern (corporate group)⁵³: fairness in competition, integrity in business, principle of sustainability, conformity with foreign trade law, respecting equality of opportunity in securities transactions, proper file management and transparent financial reporting, fair and respectful conditions of work, protection of its own advantage in knowledge and respect for the legal claims of third parties, separation of private interests from those of the firm, and cooperative dealings with authorities. Even where these topical norms are operationalized with regard to persons, there are clear differences from the above described traditional values/norms of the virtuous merchant. We find comparable Codes of Ethics for Business Administration passed by the Academy of Management (AOM), the American Marketing Association (AMA) and the American Accounting Association (AAA). Their members are bound to responsibility for students, researchers, practical men and the general public.

In the normative module, problems of the practical application of ethical norms are analyzed. Here norms are frequently only implicitly proceeded from which are traced back reductively from the perspective of morality to a *basic norm*. Possible users are to be persuaded of this basic norm, and its application is to be enforced. A business ethics, however, that is fundamentally adapted to one sole basic norm of the normative module runs the danger of being susceptible to differing *ideologies*. From the scientific point of view, this one-sided and personal fixation on one basic norm as the basis of the ethical substantiation of economic decisions is questionable, because all those who do not share this basic attitude, that is, who proceed from another basis which is individually ranked higher, arrive at a different understanding of business ethics. Equally questionable is the task of a business ethics to convince others of a given basic norm and to enforce its implementation.

⁵² H. Küng, *op. cit.*, p. 319.

⁵³ Bayer AG, *Corporate Compliance Policy*, German ed., Leverkusen 2008, p. 6.

3.4.2 The significance of the conception of value-judgment for the ethical substantiation of economic decisions

We appreciate the significance of the conception of value-assessment for the ethical substantiation of economic decisions by critically assessing the extent to which the norms covered in the normative module satisfy the conditions formulated in section 2.2 for morally right decisions. The critical assessment should establish the contribution of the normative module to the ethical substantiation of economic decisions⁵⁴:

- The norms analyzed in the normative module are able to create confidence in business;
- A scientifically substantiated conception of value-assessment of the normative module should build on the ethically relevant statements of the descriptive, theoretical, and pragmatic modules. However, this does not as a rule apply to practical forms of a canon of norms;
- The taking of responsibility for the effects of economic decisions can, in the normative module, be suitably expressed on the basis of the ethic of responsibility;
- Ethical substantiations, as the reductive tracing back of moral decisions from the perspective of morality to their constitutive conditions as far as their absolute origin, are frequently not made. Where they are made, however, the tracing back takes place to an individually accepted basic norm of which potential users are to be convinced and whose practical application is to be enforced;
- A test of the feasibility of ethical norms can be carried out;
- The affirmation of duties and obligations is involved in the normative module insofar as the enforcement of the norms signals to the economic environment that business measures are taken on an ethical basis, it is indicated that responsibility is taken for negative effects, and that checks on obligations are accepted.

Supplementary explanations:

- Norms of a conception of value-assessment are to be understood as practical enforcement of ethical values. As the acceptance of norms is not general, but relative, its extent being determined by the (broader) acceptance of the superior basic norm, recourse should be had in its substantiation to norms with a broad acceptance;
- The inward-looking function of norms is the enforcement of a practical control of the thinking and behaviour of all employees in the sense of moral business activities. The outward-looking function of norms is to reinforce long-term potential for success, support social coordination, and promote the public welfare. In order to achieve these goals, norms must be susceptible of precise definition. There is, however, frequently the problem that although the higher-ranking basic norm has

⁵⁴ M. Schweitzer, *Plädoyer für...*, p. 439; M. Schweitzer, G. Galassi, *op. cit.*, p. 76.

a high degree of acceptance, it is of indefinite content, open or empty, and thus cannot be precisely defined;

- An example of a higher-ranking basic norm with indeterminate content is the *principle of justice*, from which no practicable norm can be derived without detailing its content with criteria of a situation of application. Thus a fair wage in industry cannot be defined as a practicable basis for remuneration (remuneration norm) without the criteria of the difficulty of the job, performance on the job and social status of the employee. Comparable considerations apply to the principle of social justice, which from a macroeconomic viewpoint is termed inexact, ambiguous, and poorly substantiated in all theoretical traditions⁵⁵;
- A practical example of a canon of norms is a code of ethics by which the practical application and enforcement of the norms of conflict-free business activity, fair re-orting, humane working conditions, modes of thought and behaviour on the basis of partnership, and an overall ethical (performance) attitude on the part of the employees are aimed at. To be applied in the concrete case of an individual firm, these norms need to be examined as to their freedom from contradiction, conceptual precision, and practicability;
- With its instrumental function, a concept of value-assessment ought in its power of discrimination be able to transcend the description of values and norms (e.g. of the values of the virtuous merchant), of the cause-and-effect relations of the theory of business ethics, and the policy of business ethics. It should furthermore provide practical insights into the application of evaluative prescriptions for human behaviour;
- From the scientific point of view, we consider the insights derived from the analysis of the normative module not as direct and practical designing instructions, but as a procedure with the aid of which criticisable (verifiable) conditions and criteria for the moral judgment of real decisions in the firm are developed;
- In sum, we may say that a (normative) conception of value-judgment founded systematically on the descriptive, theoretical and pragmatic modules is a basis that casts supplementary light on the significance of morals in business from the aspect of enforcement, but which provides only a weak (defect) substantiation of economic decisions. Furthermore, a business ethics that fundamentally narrows itself down to one sole basic norm of the normative module runs the danger of adopting ideological elements. From the scientific point of view, therefore, a one-sided individual fixation on *one sole* basic norm is questionable, since all those who do not accept this basic norm and proceed from a different one arrive at a divergent view of a normative ethics of the firm.

⁵⁵ H. Bouillon, *Die Fiktion der sozialen Gerechtigkeit*, „Frankfurter Allgemeine Zeitung“ 2006, v. 4. 2., nr 30, p. 17.

4. Coordination of ethically relevant statements of the modules for the discipline of 'Business Ethics'

Contrary to the assertion that in business administration dealing with questions to do with business ethics is redundant, since this discipline has been based on ethical principles for centuries, the modular analysis of ethical statements leads to the insight that, for the comprehensive (perfect) substantiation of economic decisions, an open, effective and scientific instrument is required. This insight is additionally confirmed by economic-technical-social-ecological and electronic challenges⁵⁶. A suitable instrument is *business ethics*. It is shown to be a subdiscipline of business administration, which is able in both research and teaching to increase lastingly the stock of knowledge of business ethics, and to ensure a problem-relevant advancement of science.

In teaching arises the special question of the coordination of business administration and business ethics. One possible way is to introduce relevant statements of business ethics into business administration following the stages of the value added process or the management instruments/functions of the firm. Then, we arrive at differentiated and specialized ethical supplementations for purchasing, production, marketing, planning or organization. An alternative way is to establish a self-contained and overall discipline of business ethics as a subject of study and research obligatory for all students of business administration. This is the way we propose in this paper.

Preconditions for the formulation of a self-contained and overall discipline of business ethics being understood as a discipline of business administration are: a frame of reference differentiated according to aims of science, a common subject of knowledge, and close relations between business administration and ethics⁵⁷. The broadness of the differentiation of the *frame of reference* according to aims of science must satisfy the requirements of a practice-related discipline. The *common subject of knowledge* must delimit a circle of questions that is identical in its knowledge. The *relations* between the ethical problems and those of business administration in detail and the methods of the two fields must be close. These preconditions are thoroughly fulfilled by the modular design of business ethics proposed in this paper. In it, the formulated modules are at the same time classification principles of the findings and of the problems of the discipline. A systematic complementation of business administration by the discipline of business ethics, furthermore, raises no epistemological conflicts, because, as already stated, its statements relate to the same decisions on scarce goods that represent the subject of knowledge of business administration⁵⁸. Finally, there are neither empirical nor formal arguments against a further differentiation and operationalization of statements within business ethics

⁵⁶ P. Whysall, *Power Redistribution and Ethical Challenges in E-Commerce*, [in:] *Business Ethics and the Electronic Economy*, eds. P. Koslowski et al., Berlin 2004, p. 125.

⁵⁷ M. Schweitzer, *Plädoyer für...*, p. 441.

⁵⁸ *Ibidem*; H.-U. Küpper, *Unternehmensethik...*, p. 30.

following the stages of the value added process or the management instruments/functions of the firm.

The modules of business ethics make it clear that the ethical analysis of economic decisions can be carried out on several levels. Above all, the modular design of business ethics makes it transparent that:

- The levels of analysis of business ethics are delimited by the same aims of science as the research conceptions of business administration,
- The analysis of questions relating to business ethics deals only partly with normative statements,
- Logical and empirical methods of business administration can be adduced for the analysis of non-normative statements of business ethics,
- Each module represents a possible starting-point to the constituting of a discipline of business ethics,
- The analysis of the scopes in the ethical substantiation of economic decisions shows the independent questions that business ethics raises concerning its aims of science, its subject of knowledge, its methods of research and substantiation and modules. This justifies its constitution as an independent discipline within business administration.

The scientific progress of a discipline is rendered possible when its system of statements is designed as open-ended. As well as in research, this openness is also found in the teaching of business ethics⁵⁹, as long as there is no generally binding prescription as to which special ethical values, norms, principles and approaches are to be taught, but only a frame of ethical principles ‘which are located in one of the diverse possible ethical balances of consideration’⁶⁰. Finally, each scientist has the scope to orient his conception of science to the aim of science and the problems of a module.

For completeness’ sake, we would point out that there are different approaches for the designing of the relation between ethical and economic statements. While we plead, from a microeconomic view, for a self-contained and overall subdiscipline of business ethics within business administration, Koslowski considers, from a general view, (business) ethics as a measure of the ethical pre-coordination of individual decision behaviour⁶¹, and Homann proposes, from a macroeconomic view, a quite different composition of ethical and economic statements⁶². In his draft, he speaks of an *endogenization of ethics* in economics, by which he understands the economic interpretation of ethical basic concepts and conceptions. Following an exposition of the absorptive capacity of new theories in modern economics, he arrives at his central statement: “Economics is Ethics with other, better means”⁶³. This raises the question which

⁵⁹ A.G. Scherer, A. Butz, *op. cit.*, p. 375.

⁶⁰ H. Klimt, *Wirtschaftsethik als Lehrfach*, „Zeitschrift für Betriebswirtschaft – Journal of Business Economics“ 2008, Special Issue 3/2008, p. 89.

⁶¹ P. Koslowski, *Ethik der Banken...*, p. 15.

⁶² K. Homann *Die ethische Aufnahmefähigkeit der modernen Ökonomik*, „Zeitschrift für Betriebswirtschaft – Journal of Business Economics“ 2007, Special Issue 1/2007, p. 18.

⁶³ *Ibidem*, p. 23.

other sciences are comparably capable of absorption. This is, for instance, no doubt true of the sciences of ecology, engineering and medical science. Are ecology, engineering and medical science, then, also to be defined as ‘Ethics with other, better means’? A comparable point of view takes Albach summing up: ‘Business Administration is Business Ethics!’⁶⁴

5. Summary and conclusions

We look upon our paper as a plea for the modular design of practice-related self-contained and overall subdiscipline of business ethics, which formally investigates the conditions under which economic decisions – regardless of their content – are seen as morally right. In detail, we discuss, on the basis of the critical-rational method, what is to be understood by morally right economic decisions, and by a theory and policy of the ethics of economic decisions. As an answer to the question as to how the ethical substantiation of economic decisions is to take place, we show that the traditional ideal of ‘the virtuous merchant’ alone is too weak (defect) a basis for the ethical substantiation. It is too weak, firstly, because it is based on the ethics of conviction which, together with a descriptive function, only fulfils the task of a personal norm of behaviour and value-assessment. On the other hand, it is too weak because it fails to represent a systematic complementation of business administration by a self-contained and overall subdiscipline. Instead, a comprehensive substantiation of economic decisions should rest on the broader basis of the ethics of responsibility, which at the same time permits a systematic complementation of the system of statements of business administration. In this sense, we present the practice-related subdiscipline of business ethics with a modular spectrum of descriptive, theoretical, pragmatic and normative statements building on one another. We support the systematic complementation of business administration by business ethics by relating the two systems of statements to the same decisions on scarce goods that form the subject of knowledge of business administration, and point out close relations between the empirical problems and methods of business ethics and business administration.

To avoid misunderstanding, it should in conclusion be once again stressed that we do not regard the results of the formal analysis of problems of business ethics as direct and practical design and implementation instructions.

Special References to the Theme „Global Economic Ethic“

For readers who want to deepen their knowledge concerning ethical problems of globalization and of global economic ethic we offer a list of special references:

⁶⁴ H. Albach, *op. cit.*, p. 809.

1. The Commission on Global Governance, *Our Global Neighbourhood*, Oxford University Press, Oxford 1995.
2. UNESCO-Report of the World Commission on Culture and Development, *Our Creative Diversity*, Paris 1995.
3. InterAction Council, *In Search of Global Ethical Standards*, Vienna 1996.
4. Küng, H., *Weltethos für Weltpolitik und Weltwirtschaft*, 2nd Ed., München und Zürich 1997, pp. 215-367.
5. Küng, H., Leisinger, K. M., Wieland, J., *Declaration Toward a Global Economic Ethic – Consequences for Global Business*, München 2010.

Apel o modułowe ujmowanie etyki biznesu. Podstawy etycznego uzasadniania decyzji ekonomicznych

Streszczenie

Artykuł stanowi apel o modułowe ujmowanie etyki biznesu, dyscypliny uznawanej za naukę stosowaną. W artykule analizujemy, w jakich warunkach decyzje i działania gospodarcze mające miejsce w firmach – bez względu na ich istotę – powinny być postrzegane jako moralnie właściwe. Wychodząc od doprecyzowania podstawowych pojęć związanych z etycznym uzasadnianiem decyzji ekonomicznych opisujemy system modułów tworzących swoiste ramy epistemologiczne, w których prowadzona jest następnie analiza formalna. Szczegółowo badamy, jaki wkład w etyczne uzasadnienia decyzji i działań ekonomicznych wnoszony jest na gruncie modułów: opisowego (jako płaszczyzny prezentacji idei), teoretycznego (jako płaszczyzny wyjaśniania i predykcji), pragmatycznego (jako płaszczyzny projektowania konkretnych rozwiązań) oraz normatywnego (jako płaszczyzny formułowania sądów wartościujących).

Bazując na analizie formalnej pokazujemy, że dla uzasadniania decyzji ekonomicznych ideał *cnotliwego kupca* (ang. *virtuous merchant*) będący podstawą etyki przekonań stanowi w najlepszym razie rozwiązanie niedoskonałe. Następnie przedstawiamy powody, dla których w zorientowanej na praktykę dyscyplinie, jaką jest etyka biznesu, szczególnie skuteczne przy uzasadnianiu decyzji ekonomicznych jest podejście oparte na etyce odpowiedzialności. Głównym tego powodem jest fakt, iż dyscyplina ta integruje istotne twierdzenia (konstatacje) powstające na gruncie płaszczyzn opisowej, teoretycznej, pragmatycznej i normatywnej, co prowadzi do stworzenia niezależnego systemu twierdzeń. Jesteśmy przekonani, że nauki o zarządzaniu mogą być systematycznie uzupełniane przez etykę biznesu. Przekonanie to jest pochodną faktu, iż twierdzenia formułowane na gruncie obu tych dyscyplin odnoszą się do tych samych decyzji dotyczących rzadkich zasobów, które stanowią przedmiot badawczy zarządzania, a pomiędzy oboma systemami zachodzą związki o charakterze zarówno treściowym, jak i metodologicznym.

Plea for a Modular Design of Business Ethics – Basics of the Ethical Substantiation of Economic Decisions

Summary

We regard this article as a plea for the modular design of a practice-related discipline of business ethics, in which we analyse under what conditions economic decisions and actions in firms – regardless of their content – are to be understood as morally right. Following the clarification of certain fundamentals of the ethical substantiation of economic decisions, we describe a system of modules as the epistemological frame of reference that designs the formal analysis. We examine in detail

the contribution of the descriptive module (as a conception of representation), the theoretical module (as a conception of explanation and prediction), the pragmatic module (as a conception of designing) and the normative module (as a conception of value-judgment) to the ethical substantiation of economic decisions and actions.

As a conclusion of the formal analysis, we show that the ideal of the virtuous merchant as a basis of the ethics of conviction for the substantiation of economic decisions offers, at best, an imperfect solution. Following this, we give reasons why a practice-related discipline of business ethics as ethics of responsibility for the substantiation of economic decisions is particularly efficient. The main reason for this lies in the fact that this discipline integrates relevant insights (statements) from the descriptive, theoretical, pragmatic and normative modules into a self-contained system of statements. We ensure the systematic complementation of business administration by the discipline of business ethics by relating the statements of both systems to the same decisions concerning scarce goods that form the subject of business administration, and close factual and methodical relations between the two systems.

Keywords: *Business Ethics, ethical substantiation of economic decisions, modules of Business Ethics, theory of Business Ethics, policy of Business Ethics, code of Business Ethics, Corporate Governance, Corporate Compliance*

JEL Classification: A13, L21, M14